

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FEDERAL COMPLIANCE AUDIT REPORT

OF

UNION-NORTH UNITED SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/16/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Elizabeth Mangus	01-01-17 to 12-31-20
Superintendent of Schools	Mitchell D. Mawhorter	07-01-15 to 06-30-21
President of the School Board	Karman Eash	01-01-17 to 12-31-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE UNION-NORTH UNITED SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Union-North United School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated December 19, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

Union-North United School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 19, 2019, except for the Schedule of Expenditures
of Federal Awards, for which the date is February 24, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE UNION-NORTH UNITED SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Union-North United School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2019-002, in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

Other Matters

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated December 19, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 24, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

UNION-NORTH UNITED SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 17-18, FY 18-19	\$ -	\$ 82,132	\$ -	\$ 85,250
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY 17-18, FY 18-19	-	290,047	-	312,911
School Lunch Program - Commodities			FY 17-18, FY 18-19	-	42,365	-	42,609
Total - National School Lunch Program				-	332,412	-	355,520
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY 17-18, FY 18-19	-	4,977	-	7,211
Total - Child Nutrition Cluster				-	419,521	-	447,981
Total - Department of Agriculture				-	419,521	-	447,981
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
16/17 Part B 611			14217-107-PN01	-	44,376	-	-
17/18 Part B 611			18611-107-PN01	-	209,637	-	54,140
18/19 Part B 611			19611-107-PN01	-	-	-	205,386
Total - Special Education Grants to States				-	254,013	-	259,526
Special Education Preschool Grants	Indiana Department of Education	84.173					
16/17 Part B 619			45717-107-PN01	-	6,777	-	-
17/18 Part B 619			18619-107-PN01	-	5,174	-	1,552
18/19 Part B 619			19619-107-PN01	-	-	-	4,907
Total - Special Education Preschool Grants				-	11,951	-	6,459
Total - Special Education Cluster (IDEA)				-	265,964	-	265,985

UNION-NORTH UNITED SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
2016/17 Title I Grant			S010A160014	-	48,672	-	-
2017/18 Title I Grant			S010A170014	-	154,586	-	78,245
2018/19 Title I Grant			S010A180014	-	-	-	126,847
Total - Title I Grants to Local Educational Agencies				-	203,258	-	205,092
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
FFY 2016 Title II Part A			S3674160015	-	14,270	-	-
FFY 2017 Title II Part A			S367A170013	-	24,295	-	18,025
FFY 2018 Title II Part A			S367A170013	-	-	-	25,049
Total - Supporting Effective Instruction State Grants				-	38,565	-	43,074
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
FFY 2018 Title IV Part A			S424A180015	-	-	-	9,040
Total - Department of Education				-	507,787	-	523,191
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Administrative Claiming (MAC)			FY 17-18, FY 18-19	-	36,202	-	24,567
Total - Medicaid Cluster				-	36,202	-	24,567
Total - Department of Health and Human Services				-	36,202	-	24,567
Total federal awards expended				\$ -	\$ 963,510	\$ -	\$ 995,739

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

UNION-NORTH UNITED SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal control or separated incompatible activities related to cash and investments, and receipts.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments

The School Corporation did not have effective controls in place to ensure that bank reconciliations were accurate. The oversight and review process was ineffective and did not ensure that cash and investment balances were properly reconciled to the record balances. The School Corporation reconciled each month to a balance that represented neither a combined fund balance nor a combined bank balance. Variances of \$73,095 and \$77,929 existed between the bank balances and the record balances as of June 30, 2018 and 2019, respectively.

Receipts

The School Corporation did not have effective controls in place to ensure that recorded receipts agreed to corresponding deposits. There was no documentation of an oversight or review process.

Due to the lack of controls, the following errors occurred on the financial statement and were not detected and corrected:

1. Cash and investments were understated \$300,000 and \$126,726 as of June 30, 2018 and 2019, respectively.
2. Receipts were understated \$300,000 and \$129,452 as of June 30, 2018 and 2019, respectively.

Audit adjustments were proposed, approved by the School Corporation, and made to the financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish a system of internal controls enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-005.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the procurement requirements for small purchases and micro-purchases.

The School Corporation did not comply with the procurement requirements for small purchases. The School Corporation purchased goods without the appropriate procurement procedures in place.

Small Purchases

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Micro-Purchases

The School Corporation did not have controls in place to ensure that micro-purchases were distributed equitably among qualified suppliers for purchases less than \$3,500.

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to Small Purchases during fiscal year 2017-2018. The noncompliance accounted for 25 percent of the total procurement disbursements in the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

- (a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute Micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c) (1) of this section apply. . . ."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2019-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, Eligibility, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP),
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-003.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

During fiscal year 2017-2018, the School Corporation did not have an effective internal control system in place to ensure that vendor disbursements were for allowable activities. Vendor disbursements were prepared by the Treasurer without a documented review or oversight process.

Allowable Costs/Cost Principles

During 2017-2018, the School Corporation did not have an effective internal control system in place to ensure that vendor disbursements were for allowable costs. Vendor disbursements were prepared by the Treasurer without a documented review or oversight process.

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight or review of the calculations or monitoring of the cash balances.

Eligibility (School Breakfast Program and National School Lunch Program only)

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by school personnel. During 2017-2018, the School Corporation did not have a proper system of oversight or review documented to ensure that the federal income guidelines entered into the software program were accurate. Furthermore, there was not a proper system of oversight or review to ensure that the students' family information entered into the food service software was accurate. One person entered the information without a review.

Special Tests and Provisions - Verification of Free and Reduced Meal Applications (NSLP) (School Breakfast Program and National School Lunch Program only)

During 2017-2018, the School Corporation had not designed or implemented adequate controls to ensure that the verification of free and reduced price applications and any necessary changes to students' eligibility statuses were accurate. School personnel performed the verification of applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review.

UNION-NORTH UNITED SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the paid lunch equity calculations. The Food Service Director completed the calculations without a documented oversight or review process.

The lack of controls over Cash Management, Eligibility, and Special Tests and Provisions - Paid Lunch Equity were systemic issues throughout the audit period. The lack of controls over Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) were isolated to 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017
Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer
Contact Phone Number: (574) 784-8141

Status of Audit Finding:

Before submitting the schedule of expenditures to the Gateway, the treasurer inputs the figures into the Gateway and prints it off along with the reports from Komputrol to show how the figures were determined. The grant administrators check the figures from Komputrol to the figures that have been input Gateway and sign off on their prospective grant. The above steps have been implemented since August of 2018.

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

2/2/18
(Date)



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Office of the Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017
Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer
Contact Phone Number: (574) 784-8141

Status of Audit Finding:

The treasurer and deputy treasurer will continue to obtain necessary training via IASBO conferences and research with Region 2 colleagues.

Bank Reconciliations: Once caught up and going forward, the deputy treasurer will complete the bank reconciliation on a monthly basis. The treasurer will double check to make sure that this reconciliation has been done correctly and then makes a notation on the reconciling document to state that the bank reconciliation is completed. To date, Union-North's bank is gone over and reconciled on a monthly basis, however, we are still not completely reconciled from July 2016.

Receipts: The deputy treasurer enters all the receipts into our software and ensures they balance before posting. The treasurer will double check the reports that are printed after posting against the documents used to enter all the receipts to ensure all receipts were correctly entered into the correct accounts and makes a notation on the report to state that it is correct. To date, Union-North is still implementing the above steps including making sure that after the receipt posting, the treasurer double checks to make sure that any receipts that came into the Corporation Office match the bank deposits.

Vendor disbursements: The treasurer generates and signs all accounts payable vouchers. The Corporation secretary enters them into the budgeting software and then prints a check that is generated from the software. The Corporation Secretary must obtain the flash drive containing the signatures for the checks, from the treasurer/deputy treasurer. No manual checks are used anymore. The Corporation secretary gives all the reports to the deputy treasurer to double check that amounts were entered correctly. The deputy treasurer makes a notation on the printed report that it has been checked and is correct. We have implemented the above steps and have been doing it since July, 2018.

Payroll disbursements: Hourly employees are now required to fill out a time sheet which is approved and signed by their immediate supervisor. The supervisor sends the timesheet to the deputy treasurer who also does payroll, to input the information into our software. At the beginning of the school year or when a new employee is hired, the treasurer gives the deputy treasurer a document or an email that states what accounts each employee is to be paid out of. As of October 1, 2017, Union-North no longer utilizes an outside payroll company. Since we have brought payroll back "in house", it is easier to print reports to ensure that all employee are being paid out of the correct funds. We have implemented the document that lists the payroll funds to be paid out of in August, 2017. The reporting of where employees are paid from has been implemented since October, 2017.

Prepaid Food School Funds Receipts and Disbursements: As a result of the '13-15 audit, we implemented the following plan: The food service director gives a report to the deputy treasurer that shows all food served in each building. The deputy treasurer then moves the correct amount of money from the clearing account to the School Lunch Fund. The treasurer then double checks the reports that are printed after posting and the reports received from the Food Service Director to ensure that



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the correct amounts were moved into the correct funds. Reports that show all revenue and expenditures are given to the Food Service Director for her reference as well. In August of 2017, Union-North implemented the above steps. We discovered in August of 2019 that we were still not performing the transfer from prepaid lunch accounts to the lunchroom account correctly and have implemented steps to ensure that we are only transferring funds and not negatively receiving the funds from prepaid lunch accounts and positively transferring them to the lunch fund.

Financial Close and Reporting: After the end of the month, the treasurer follows a checklist provided from our budgeting software that gives us steps to ensure we are balancing before closing out month end. The steps are followed and reports are printed. The checklist and all reports are given to the deputy treasurer to double check and that person signs off that the documents have been double checked and are correct. We have implemented the above steps and have been doing them since May, 2017.

Bill Morgan
(Signature)

Corp Treasurer
(Title)

2/21/20
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer and Cindy Hanson, Food Service Director

Contact Phone Number: (574) 784-8141

Status of Audit Finding:

Every payroll, the treasurer receives a trial payroll journal report from the payroll manager to ensure that all employees are paid out of the correct distribution code. After ensuring that all distributions are correct, the treasurer transfers the net payroll from the main checking account to the payroll account. The payroll manager double checks to make sure the correct amount was transferred.

Timesheets: The food service director verifies the accuracy of each time sheet before turning it in to the school secretary. She initials each one and dates it as well. She also keeps a copy with her records.

The treasurer creates and updates a monthly expenditure and revenue spreadsheet that also contains information on how much money is spent on a monthly basis and a three month average. The spreadsheet is then given to the food service director to review. This will start March, 2020.

Annual Financial Report: The treasurer prints out the reports the food service director uses to fill out the report. The food service director inputs the information into the Indiana Department of Education Division of School and Community Nutrition Services. The food service director has the treasurer double check the information that is inputted into the website and initials the printout before the final information is submitted. This started August, 2018.

The food service director sends the edit check report and handwritten claim form to the Corp. Secretary to be checked and entered into the school lunch claim tab for submission. The deputy treasurer will calculate the corporation reimbursement and will post to the proper account. This started August, 2018.

The SFA verification report is received by both building ECA treasurers. They sway with one another and review reports and applications and sign off on each report. This started August, 2018.

The paid lunch equity report is completed by the food service director and sent to the Corp. Treasurer for review. This will be completed by May 2020.

The food service director enters eligibility income guidelines into the lunchroom software and creates a screen shot copy. The elementary treasurer will double check the information and sign and date the



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report which is then sent to the corp. treasurer. A second copy is sent back to the food service director. This started the summer of 2019.

Brett Mangus
(Signature)

Corp Treasurer
(Title)

2/21/20
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer & Cindy Hanson, Food Service Director
Contact Phone Number: (574) 784-8141

Status of Audit Finding:

The food service director will annually complete a list of equipment with Federal Awards. This is the checked by a kitchen employee to ensure accuracy. This was completed May, 2019

Beth Mangus
(Signature)

Corp. Treasurer
(Title)

2/21/19
(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education
Contact Person Responsible for Corrective Action: Cindy Hanson, Food Service Director and Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Status of Audit Finding:

Purchasing Methods- The food service director obtains three quotes from vendors. The state issued a comprehensive list of kitchen equipment which can be used, that do not require state approval. If equipment is not purchased from this list, then state approval is needed. The Corporation will obtain Board approval before proceeding with the purchase. The Food Service Director will obtain quotes as necessary. This will start February 25, 2020.

Suspension debarment requirements- The food service director will obtain suspension and debarment requirement and signed contract, or other related paperwork to vendors. A copy of these documents is kept on file at the Corporation Office as well as with the food service director. This was started May 2019 and we are still working with the appropriate departments to obtain information.

Beth Mangus

(Signature)

Corp Treasurer

(Title)

2/25/20

(Date)



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006

Fiscal year in which the finding initially occurred: July 1, 2015 – June 30, 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Beth Mangus, Corp. Treasurer & Cindy Hanson, Food Service Director

Contact Phone Number: (574) 784-8141

Status of Audit Finding:

The food service director prints off and sends to the corporation office, food served reports on a monthly basis. The Deputy Treasurer will transfer the money from the clearing accounts to the appropriate School Lunch account. The Corporation Treasurer verifies that the transfer has occurred. This started March, 2017. In August, 2019, the corporation treasurer realized the transfers were not being done correctly. Prior to August, 2019, the transfers were done by creating a negative entry into the clearing account and then by creating a positive entry into the school lunch fund. As of August, 2019, the food service director sends the food served report to the treasurer. The treasurer performs a transfer of funds by expending the amount from the clearing account and receipting the amount into the school lunch fund, making sure to use the correct program and receipt accounts. The deputy treasurer double checks to make sure the transfer is completed correctly.

Beth Mangus
(Signature)

Corp Treasurer
(Title)

2/21/20
(Date)



CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Beth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North agrees with the above finding.

Description of Corrective Action Plan:

Cash and Investments:

Union-North is actively attempting to correct this finding. Starting with the reconciliation of the December 2019 bank statement, Union-North will use the spreadsheet provided by the auditors to ensure that the variances as of June 30, 2019, will not increase. Starting with the reconciliation of the December 2019 bank statement, the deputy treasurer will actively watch and/or clear the outstanding checks and deposits in transit to make sure that they are cleared out in a timely matter. The treasurer will still continue to look over past bank statements and ledger entries and correct any discrepancies in order to bring the fund balance back into balance with the bank statements.

Receipts:

The treasurer and deputy treasurer will continue to attend IASBO workshops and also, check the Indiana State Board of Accounts School – Uniform Compliance Guidelines Manual to learn the appropriate way to receipt in not only cash and investments, but all monies to the Corporation.

Anticipated Completion Date: June 30, 2020



CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Beth Mangus, Corporation Treasurer and Cindy Hanson, Food Service Director
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North agrees with the above finding.

Description of Corrective Action Plan:

Small Purchases- The Union-North United School Corporation will obtain price or rate quotes from an adequate number of sources for purchase of goods or services exceeding \$10,000. Union-North will document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Micro-Purchases- The Union-North United School Corporation will create controls to ensure that micro-purchases will be distributed equitably among qualified suppliers for purchases less than \$10,000. The food service director will rotate vendors and maintain a list of vendors from which we will rotate.

Anticipated Completion Date: August 24, 2020.



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CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Cindy Hanson, Food Service Director and Beth Mangus, Corporation Treasurer

Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North agrees with the above finding

Description of Corrective Action Plan:

Union-North is actively working to create and maintain an effective internal control system in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications, Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Allowable activities and costs: Since the 2018-2019 school year, the treasurer prepares vendor disbursements, the corporation secretary inputs the information into the software system and the deputy treasurer double checks all claims, edits and accounts payable vouchers to ensure that all disbursements are correct.

Cash management: The treasurer will prepare and maintain a monthly expenditure and revenue spreadsheet that also contains information on how much money is spent on a monthly basis and three month average. The food service director receives a copy of the spreadsheet to review. This will start March, 2020.

Eligibility: The food service director enters eligibility income guidelines into the food service software and creates a screen shot copy. The elementary treasurer will double check the information to ensure the guidelines entered into the software are correct. Two copies of the report are made, one for the corporation treasurer and the second copy is sent to the food service director. This started the summer of 2019.

The ECA treasurers enter application information into the food service software. All applications are then sent to the Food Service Director and approximately 20 percent of the applications will be double checked with the information that was input into the food service software for any discrepancies. The food service director will then sign off that the application information was entered correctly. Anticipated completion date: September 1, 2020.

Special Tests and Provisions – Verification of Free and Reduced Meal Applications (NSLP): The ECA treasurers enter application information into the food service software. All applications are then sent to the Food Service Director and approximately 20 percent of the applications will be double checked with the information that was input into the food service software for any discrepancies. The food service director will then sign off that the verification of information is correct. Anticipated completion date: September 1, 2020.

Special Tests and Provisions- Paid Lunch Equity: The food service director utilizes the tool that the USDA puts out every year to enter the financial information in to determine if a raise in lunch prices is needed. The food service director will print the information and give the information to the treasurer to check for any errors. If a waiver is needed, the food service director will submit that information to the State for approval. The waiver or any increase in school lunch prices will then go before the School Board for their approval. Anticipated date of completion: September 1, 2020.

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.